

## Message Text

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PAGE 01 LONDON 13881 01 OF 05 291714Z  
ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 SP-02 ICA-11 AID-05  
EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
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R 291700Z AUG 78  
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TREASURY DEPT WASHDC  
INFO AMEMBASSY BONN  
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LIMITED OFFICIAL USE SECTION 01 OF 05 LONDON 13881

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USOECN ALSO FOR EMBASSY  
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DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR  
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A  
TAGS: EFIN, UK  
SUBJECT: UK ECONOMIC FORECAST FOR 1978 AND 1979

REF: LONDON 10000

SUMMARY AND INTRODUCTION:  
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PAGE 02 LONDON 13881 01 OF 05 291714Z

REAL GDP WILL GROW ROUGHLY 3 PERCENT IN 1978 THEN  
GRADUALLY SLOW TO THE 2 PERCENT RANGE IN 1979. THE CON-  
SUMER-LED RECOVERY THIS YEAR (WHICH HAS WEAKENED BALANCE  
OF TRADE PERFORMANCE) WILL PETER OUT INTO NEXT YEAR, AS  
RISING PRICES (FED IN PART BY HIGH WAGE LEVELS THIS YEAR)  
AND LOWER AVERAGE EARNINGS NEXT YEAR REDUCE DISPOSABLE  
INCOME AND CONSUMER PURCHASING POWER. THIS TREND WILL

BE REINFORCED BY MONETARY POLICY, PARTICULARLY THE "COR-  
SET" LIMITING BANKS' LENDING CAPABILITIES.

MAJOR DETERMINANTS OF GROWTH IN 1979 WILL BE PRIVATE  
INVESTMENT, GOVERNMENT SPENDING, AND NET EXPORTS (AIDED  
BY NORTH SEA OIL RECEIPTS AND SLOWER DOMESTIC GROWTH).  
UNEMPLOYMENT WILL RISE. THE POUND HAS BEEN FAIRLY SHEL-  
TERED SO FAR THIS YEAR AS A RESULT OF DOLLAR WEAKNESS;  
SOME FUTURE SLIPPAGE ON A TRADE-WEIGHTED BASIS MUST BE  
EXPECTED TO COMPENSATE FOR INFLATIONARY DIFFERENTIAL AND  
LOSS OF COMPETITIVENESS.

AN ELECTION IS GENERALLY EXPECTED IN OCTOBER. SUB-  
JECT TO CAVEATS, WE DO NOT THINK CHANGES IN ECONOMIC POLI-  
CY AS A RESULT OF THE ELECTION OUTCOME WILL INFLUENCE  
REAL ECONOMIC PERFORMANCE BEFORE THE MIDDLE OF 1979.  
THE CAVEATS INCLUDE DAMAGE TO BUSINESS CONFIDENCE FROM  
STATEMENTS THAT MIGHT APPEAR IN PARTY MANIFESTOS; POTEN-  
TIAL NEGATIVE PSYCHOLOGICAL EFFECT OF ELECTIONEERING  
ON THE FINANCIAL (I.E., GILT, MONEY AND FOREIGN EXCHANGE)  
MARKETS; AND FINALLY, THE POSSIBILITY THAT A CONSERVA-  
TIVE-THATCHER VICTORY WOULD RAPIDLY LEAD TO CONFRONTA-  
TION WITH THE UNIONS A LA HEATH IN THE WINTER OF 1973.  
WE HAVE NOT BUILT THESE INTO THE FORECAST, DO NOT SUG-  
GEST THEY WILL HAPPEN, BUT EQUALLY CANNOT IGNORE RAISING  
THE POSSIBILITY THAT THEY MIGHT.

THIS FORECAST IS PREPARED ON THE ASSUMPTION OF UN-  
CHANGED POLICIES, AND THEREFORE MUST BE VIEWED VERY  
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PAGE 03 LONDON 13881 01 OF 05 291714Z

CRITICALLY. SHOULD THE CONSERVATIVES WIN AN ELECTION  
IN THE PERIOD COVERED, THEY WOULD PROBABLY REDUCE GOV-  
VERNMENT EXPENDITURE AND CUT SOME DIRECT TAXES. IF  
LABOR REMAINS IN POWER, THERE IS AT LEAST THE POSSIBILI-  
TY THAT DIRECT TAXES WILL BE CUT IN THE NEXT BUDGET IN  
ORDER BOTH TO PROVIDE STIMULUS TO THE ECONOMY AND IN-  
CREASE REAL INCOMES, HOPEFULLY THEREBY REDUCING SOMEWHAT  
UNION PRESSURE FOR HIGHER WAGE INCREASE. EITHER OF  
THESE (CONSERVATIVE OR LABOR) ALTERNATIVES WOULD PROB-  
ABLY INTRODUCE STIMULUS INTO THE ECONOMY OF ROUGHLY 1/2  
OF A PERCENT AT AN ANNUAL BASIS IN THE SECOND HALF OF  
1979, AND PUT GREATER PRESSURE ON TRADE ACCOUNT. HOW-  
EVER, GIVEN THE SIZE OF THE PUBLIC SECTOR BORROWING RE-  
QUIREMENT, MONETARY TARGETS AND SUPPLY INELASTICITIES,  
THERE DOES NOT APPEAR TO BE GREAT SCOPE FOR NON-INFLATION-  
ARY FISCAL EXPANSION IN 1979.

FINALLY, THE U.K. WILL SHORTLY (END SEPTEMBER) RE-  
LEASE NEW ECONOMIC STATISTICS BASED ON 1975 (RATHER THAN  
1970) WEIGHTS, RESULTING IN SOME FAIRLY SUBSTANTIAL  
CHANGES IN THE BENCHMARK DATA ON WHICH OUR FORECASTS  
ARE BASED. THE INTERESTED READER MIGHT ALSO REVIEW THE  
TEXT OF LONDON 10000 OF JUNE 23, WHICH DEALT IN MORE DE-

TAIL WITH SOME OF THE STRUCTURAL ASPECTS. END SUMMARY  
AND INTRODUCTION.

1. DOMESTIC ASSUMPTIONS:

AFTER EXCEEDING THE PHASE III 10 PERCENT EARNINGS  
TARGET BY SOME 4-5 PERCENTAGE POINTS, AVERAGE EARNINGS

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PAGE 01 LONDON 13881 02 OF 05 291717Z  
ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 SP-02 ICA-11 AID-05  
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LIMITED OFFICIAL USE SECTION 02 OF 05 LONDON 13881

ARE ASSUMED TO RISE BY 10-12 PERCENT IN THE 12 MONTHS  
THROUGH JULY 1979. ONCE AGAIN THIS IS WELL ABOVE THE 5  
PERCENT INCOMES POLICY NORM AND REFLECTS OUR BELIEF THAT  
ALLOWABLE PRODUCTIVITY DEALS, WAGE DRIFT, OVERTIME AND  
OUTRIGHT VIOLATION WILL ADD 5 TO 7 PERCENTAGE POINTS TO  
THE GOVERNMENT'S FIGURE.

2. FISCAL POLICY:

THE PUBLIC EXPENDITURE PLANS FOR THE FISCAL YEAR BE-

GINNING APRIL 1, 1979 CONTAINED IN THE CURRENT PUBLIC EXPENDITURE WHITE PAPER (A RISE OF 2 PERCENT IN REAL TERMS) ARE ASSUMED TO REMAIN UNCHANGED. INDEXED TRANSFER PAYMENT LIMITED OFFICIAL USE

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PAGE 02 LONDON 13881 02 OF 05 291717Z

INCREASES PLUS HIGHER CHILD ALLOWANCES SCHEDULED FOR NOV. 1978 ARE ASSUMED TOGETHER WITH A NEUTRAL APRIL 1979 BUDGET EXCEPT FOR THE MANDATED INDEXING OF PERSONAL INCOME TAX EXEMPTIONS. THIS ASSUMPTION OF UNCHANGED POLICY ARTIFICIALLY IMPOSES A SITUATION OF RISING TAXES IN REAL TERMS OVER THE LATTER PART OF THE FORECAST PERIOD.

3. MONETARY POLICY:

THE CURRENT HMG STERLING M3 TARGET RANGE OF 8 - 12 PERCENT IS ASSUMED TO REMAIN UNCHANGED WHEN IT IS REVIEWED IN OCTOBER. BEYOND THAT, THE NEW TARGET RANGE ANNOUNCED AT THE TIME OF THE SPRING BUDGET IS ASSUMED TO BE AT LEAST AS STRINGENT AS THE ONE CURRENTLY IN FORCE.

4. PUBLIC/SECTOR BORROWING REQUIREMENT (PSBR);

ON THE BASIS OF CURRENT PLANNING, THE PSBR FOR FY 79/80 WILL BE ABOUT THE SAME MAGNITUDE AS THE CURRENTLY TARGETED FY 1978/79 FIGURE OF 8.5 BILLION POUNDS. THIS IMPLIES A FAILURE FULLY TO OFFSET FISCAL DRAG.

5. GDP:

THE PATTERN OF ACTIVITY IN 1978 IS ONE OF STRONG GROWTH IN BOTH FINAL DEMAND AND INVENTORIES DURING THE FIRST SEMESTER FOLLOWED BY THE BEGINNINGS OF AN INVENTORY CORRECTION IN THE SECOND. FOR THE YEAR AS A WHOLE, THIS TRANSLATES INTO A YEAR-ON-YEAR RATE OF GROWTH IN THE 2.8 TO 3.5 PERCENT RANGE. WITH THE INVENTORY CORRECTION CONTINUING INTO 1979 AND FINAL DEMAND WEAKENING AS CONSUMPTION GROWTH EASES, THE PRINCIPAL DRIVING FORCES IN THE ECONOMY WILL BE THE RECOVERY IN FIXED INVESTMENT AND THE IMPROVEMENT IN NET EXPORTS AS THE CURRENT ACCOUNT STRENGTHENS. YEAR-ON-YEAR GDP GROWTH SHOULD FALL OFF TO THE 1.5 TO 2.5 PERCENT LEVEL.

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PAGE 03 LONDON 13881 02 OF 05 291717Z

6. CONSUMER EXPENDITURE:

THE CONSUMER IS THE DOMINANT FORCE IN THE PRESENT ECONOMIC UPTURN. DESPITE A SLIGHT RISE (14.4 TO 14.9 PERCENT) IN THE SAVINGS RATIO BETWEEN THE FIRST HALVES OF 1977 AND 1978, THE VOLUME OF CONSUMER EXPENDITURE IN-

CREASED BY 4.5 PERCENT. BEHIND THIS SURGE IN DEMAND WAS A 5.0 PERCENT RISE IN REAL DISPOSABLE PERSONAL INCOME BROUGHT ABOUT BY AN 11.8 PERCENT RISE IN NOMINAL PRE-TAX EARNINGS AND SUBSTANTIAL INCOME TAX CUTS IN DECEMBER 1977 AND MAY 1978, SET AGAINST A RISE OF 8.5 PERCENT IN RETAIL PRICES.

WITH A FURTHER TAX REBATE AND A RISE IN GOVERNMENT TRANSFER PAYMENTS SCHEDULED FOR NOVEMBER, DISPOSABLE INCOMES WILL AGAIN INCREASE PROVIDING THE BASIS FOR. CONTINUING STRENGTH IN CONSUMER EXPENDITURE INTO EARLY 1979. AS A RESULT, REAL CONSUMPTION IN 1978 SHOULD RISE BY 5 TO 5.5 PERCENT COMPARED WITH 1977.

THE RAPID GROWTH IN DISPOSABLE INCOMES ACHIEVED IN 1978 IS UNLIKELY TO BE REPEATED IN 1979. THE 5 PERCENT NORM FOR THE PAY ROUND JUST BEGUN COUPLED WITH RESTRAINED MONETARY GROWTH AND ALREADY HIGH UNEMPLOYMENT IS UNLIKELY TO PRODUCE A NOMINAL EARNINGS INCREASE MUCH ABOVE 10 TO 12 PERCENT. THERE IS LITTLE ROOM FOR FURTHER TAX CUTS BEYOND THOSE LEGALLY MANDATED TO MAINTAIN THE REAL VALUE OF PERSONAL TAX EXEMPTIONS WITHOUT INCREASING THE PUBLIC SECTOR BORROWING REQUIREMENT TO LEVELS THAT WOULD THREATEN MONETARY TARGETS. FINALLY, THE RATE OF RETAIL PRICE INCREASE IS LIKELY TO RISE FROM ITS PRESENT 7-8 PERCENT ANNUAL RATE DURING THE NEXT 2 TO 3 QUARTERS. THESE FACTORS, IN CONJUNCTION WITH THE AFOREMENTIONED FISCAL POLICY ASSUMPTION, POINT TO A DECELERATION IN THE GROWTH IN CONSUMER EXPENDITURE DURING 1979. BY THE FOURTH QUARTER OF THAT YEAR, CONSUMPTION IS UNLIKELY TO HAVE RISEN BY MUCH MORE THAN 1-2 PERCENT FROM ITS LEVEL IN THE FOURTH QUARTER OF 1978.

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PAGE 04 LONDON 13881 02 OF 05 291717Z

7. FIXED INVESTMENT:

AN IMPORTANT CAUSE OF THE SLUGGISH RATE OF ECONOMIC

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PAGE 01 LONDON 13881 03 OF 05 291732Z

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EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
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R 291700Z AUG 78  
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LIMITED OFFICIAL USE SECTION 03 OF 05 LONDON 13881

ACTIVITY IN 1977 WAS THE SHARP DROP IN PUBLIC SECTOR  
FIXED CAPITAL FORMATION. THIS FELL FULLY 15.6 PERCENT,  
REFLECTING SUBSTANTIALLY GREATER THAN PLANNED CUTS IN IN-  
VESTMENT FOR HOUSING, SERVICES, AND THE NATIONALIZED IN-  
DUSTRIES (STEEL IN PARTICULAR). IN CONTRAST, A SOMEWHAT  
SURPRISING 11.8 PERCENT RISE IN MANUFACTURING INVESTMENT  
ENABLED THE PRIVATE SECTOR TO OFFSET FALLS IN HOUSING AND  
NORTH SEA OIL OUTLAYS AND POST AN OVERALL RISE IN FIXED  
CAPITAL FORMATION OF 4.6 PERCENT FOR THE YEAR. COMBINED  
PUBLIC AND PRIVATE SECTOR INVESTMENT FELL 3.8 PERCENT IN  
1977. IN 1978, THE PUBLIC SECTOR WILL NOT REPEAT ITS  
SHARP 1977 DECLINE. IN FACT, CURRENT PLANS INDICATE A RE-  
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PAGE 02 LONDON 13881 03 OF 05 291732Z

TURN TO INCREASING INVESTMENT FROM MID-1978,ALTHOUGH FOR  
THE YEAR AS A WHOLE PUBLIC INVESTMENT IS SCHEDULED TO BE  
1-2 PERCENT BELOW 1977 LEVELS. BASED ON CURRENT PLANS,  
CAPITAL EXPENDITURE IN THE FISCAL YEAR BEGINNING IN APRIL  
1979 SHOULD RISE BY ABOUT 1.0 PERCENT.

IN THE PRIVATE SECTOR, INVESTMENT IN MANUFACTURING,  
THE DISTRIBUTIVE TRADES AND HOUSING SHOULD PRODUCE SUFFI-  
CIENT GAINS TO IMPROVE ON THE OVERALL 1977 INCREASE OF  
4.6 PERCENT. INVESTMENT INTENTION SURVEYS ARE POINTING  
TO A 10 PERCENT INCREASE IN MANUFACTURING INVESTMENT IN  
1978. THIS FIGURE SEEMS SOMEWHAT OPTIMISTIC IN LIGHT OF  
PRELIMINARY FIRST-HALF FIGURES WHICH INDICATE THAT OVERALL

MANUFACTURING INVESTMENT WAS SOME 3 PERCENT ABOVE THE SECOND HALF 1977 AVERAGE. TAKING ALL THIS INTO ACCOUNT, FIXED INVESTMENT SHOULD RISE BY ABOUT 1.5 TO 2.0 PERCENT IN 1978. IT MAY RISE A FURTHER 4 PERCENT IN 1979 AS THE PUBLIC SECTOR INCREASES ITS FINAL OUTLAYS FOR THE FIRST TIME SINCE 1976.

8. INVENTORIES:

INVENTORY INVESTMENT ROSE SHARPLY IN THE FIRST HALF OF 1978. PRELIMINARY FIGURES INDICATE THAT INVENTORY ACCUMULATION ACCOUNTED FOR ABOUT 2 PERCENT OF GDP IN EACH OF THE FIRST TWO QUARTERS. PART OF THIS SURGE MAY REFLECT HIGH IMPORTS OF RAW MATERIALS AND SEMI-MANUFACTURES IN THE FIRST QUARTER, INDUCED BY THE 5 PERCENT TRADE-WEIGHTED APPRECIATION OF STERLING. THE SECOND QUARTER RISE MAY REFLECT SOME INVOLUNTARY ACCUMULATION AS THE GROWTH OF CONSUMPTION FALTERED TEMPORARILY. IT MAY ALSO INCLUDE SOME PRODUCTION IN ADVANCE OF ANTICIPATED STRONG DEMAND IN THE SECOND HALF OF 1978.

WHATEVER THE REASON THE FIRST HALF BUILD-UP MAY PRESENT A TURN IN THE INVENTORY CYCLE. STOCK/OUTPUT RATIOS ARE AT OR ABOVE THEIR MID-1975 PEAKS. IN 1979 THE PRO-LIMITED OFFICIAL USE

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PAGE 03 LONDON 13881 03 OF 05 291732Z

GRESSIVE SLOWING IN CONSUMPTION SHOULD BRING WITH IT A SUBSTANTIAL INVENTORY CORRECTION AND CONSEQUENT SLOWING IN THE GROWTH OF OUTPUT.

9. RETAIL PRICES:

WITH THE PATTERN OF ACTIVITY ONE OF A CONSUMER-LED EXPANSION PETERING OUT INTO AN INVENTORY CORRECTION AND A SLOWER RATE OF GROWTH, RETAIL PRICES ARE LIKELY TO COME UNDER PRESSURE DURING THE SECOND HALF OF 1978. THE BUMPER CROP NOW BEING HARVESTED SHOULD EASE PRESSURE ON FOOD PRICES IN THE NEAR TERM, A FACTOR UNLIKELY TO OFFSET RISING PRICES FOR HOMES, DURABLES, AND SERVICES. BY EARLY 1979 THE 12-MONTH INCREASE IN RETAIL PRICES WILL HAVE REACHED DOUBLE DIGITS. THIS SHOULD RESTRICT THE RISE IN REAL INCOMES AND BEGIN TO CURB CONSUMER EXPENDITURE. THE 12-MONTH RATE OF INCREASE SHOULD PEAK DURING THE SUMMER OF 1979 AT ABOUT 11-12 PERCENT BEFORE EASING BACK TO END THE YEAR AT ABOUT 9-10 PERCENT.

10. UNEMPLOYMENT:

WITH DEMOGRAPHIC FACTORS ADDING ABOUT 0.8 PERCENT TO THE LABOR FORCE IN 1979, THE SLOW-DOWN IN ECONOMIC ACTIVITY IS LIKELY TO PRODUCE INCREASED UNEMPLOYMENT BY YEAR-END. A RATE OF 6.4 - 6.6 PERCENT (1.5 - 1.6 MILLION) IS CONSISTENT WITH THE REMAINDER OF THIS FORECAST. NEEDLESS TO ADD, ANY INCREASE IN PRODUCTIVITY GROWTH BEYOND THE CURRENTLY ANTICIPATED 1.5 TO 2.0 PERCENT WILL AGGRA-

VATE THE EXPECTED RISE IN THE JOBLESS TOTALS.

11. ALANCE OF PAYMENTS:

THE GENERAL FEATURES OF THE CURRENT ACCOUNT FORECAST THROUGH THE FIRST HALF OF 1979 REMAIN THOSE OF THE JUNE FORECAST. (SEE REFTEL.) THE OFFICIALLY ESTIMATED TRADE STATISTICS HAVE BEEN INSERTED FOR THE FIRST HALF OF 1978 AND THE SECOND HALF MORE OR LESS ADJUSTED TO TAKE UP THE BALANCE. IN FACT, THE OFFICIAL STATISTICS ARE SUBJECT LIMITED OFFICIAL USE

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PAGE 04 LONDON 13881 03 OF 05 291732Z

TO REPEATED REVISION AND SHOW AN ENORMOUS VARIATION, SO MUST BE USED CAUTIOUSLY. STERLING PRICES OF BOTH OIL

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PAGE 01 LONDON 13881 04 OF 05 291737Z  
ACTION EUR-12

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LIMITED OFFICIAL USE SECTION 04 OF 05 LONDON 13881



EXPORTS AND OIL IMPORTS HAVE DECLINED THIS YEAR, WHILE OIL PRODUCTION ESTIMATES HAVE BEEN REDUCED. WE NOW BELIEVE THAT A 58 MILLION-TON 1978 PRODUCTION LEVEL IS MORE PROBABLE THAN THE PREVIOUSLY ASSUMED 60 MILLION AND A 78 MILLION-TON LEVEL IN 1979. ALTHOUGH OIL PRICES HAVE BEEN SET LOWER FOR THE 1978 ESTIMATES, WE HAVE INCORPORATED A 7 PERCENT INCREASE IN DOLLAR OIL PRICES FROM JANUARY 1 IN THE 1979 ESTIMATES.

12. IN 1979 THE CURRENT ACCOUNT IS FORECAST TO REMAIN IN SURPLUS, WITH THE EXCHANGE RATE DEPRECIATING SUFFICIENTLY TO PERMIT IT. DOWNWARD PRESSURE ON THIS SURPLUS LIMITED OFFICIAL USE

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PAGE 02 LONDON 13881 04 OF 05 291737Z

ARISES FROM THE EROSION IN COMPETITIVENESS IMPOSED BY DOUBLE DIGIT INFLATION, AND THE PRESUMED SENSITIVITY OF U.K.'S NON-OIL IMPORTS TO GROWTH IN ECONOMIC ACTIVITY. TO THE EXTENT THAT THE INVENTORY CYCLE COULD REDUCE GROWTH TO ZERO, A SUBSTANTIAL SURPLUS COULD EMERGE SIMULTANEOUSLY WITH GROWING UNEMPLOYMENT.

13. THE COMPONENTS OF THE CURRENT ACCOUNT HAVE BEHAVED SOMEWHAT ERRATICALLY IN RECENT YEARS, AND THEIR ANALYSIS

-

HAS BEEN COMPLICATED BY THE UNEVEN APPEARANCE OF STATISTICS REWEIGHTED BY MORE RECENT RELATIVE PRICES. AS A RESULT, THESE FORECASTS SHOULD BE REGARDED AS INDICATIVE RATHER THAN PRECISE. ALTHOUGH WE HAVE NO STATISTICAL BASE FOR CONFIDENCE INTERVALS, WE SUGGEST THAT EACH OF THE FORECAST COMPONENTS BE REGARDED AS THE MID-POINT OF A 300 MILLION POUND RANGE.

#### CURRENT ACCOUNT FORECAST

(IN MILLIONS OF POUNDS (A))

	(B)	(C)	(C)	(B)
	1977	1978-I	1978-II	1978
OIL EXPORTS	1,965	1,003	1,250	2,253
OIL IMPORTS	- 4,769	- 2,069	- 1,800	- 3,869
BALANCE ON				
OIL TRADE	- 2,804	- 1,066	- 550	AA 1,616
NON-OIL EXPORTS	30,214	16,225	16,875	33,100
NON-OIL IMPORTS	-29,019	-15,872	-17,025	-32,897
BALANCE ON NON-				
OIL TRADE	1,195	353	- 150	203
VISIBLE BALANCE	- 1,609	- 713	- 700	- 1,413
INVISIBLES				
BALANCE	1,777	629	825	1,454

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PAGE 03 LONDON 13881 04 OF 05 291737Z

## CURRENT ACCOUNT

BALANCE	165	- 84	125	41
	(C)	(C)	(B)	
	1979-I	1979-II	1979	
OIL EXPORTS		L,450	1,550	3,000
OIL IMPORTS		- 1,930	- 1,780	- 3,710
BALANCE ON OIL TRADE		- 480	- 230	- 710
NON-OIL EXPORTS		18,240	18,800	37,040
NON-OIL IMPORTS		- 18,420	- 19,580	- 37,470
BALANCE ON NON-OIL TRADE		- 180	- 780	- 430
VISIBLES BALANCE		- 660	- 1,010	- 1,670
INVISIBLES BALANCE		820	1,100	1,920
CURRENT ACCOUNT BALANCE		160	90	250

(A) - FIGURES MAY NOT SUM DUE TO AVERAGING AND ROUNDING.  
 (B) - AT ANNUAL RATES.  
 (C) - AT SEMI-ANNUAL RATES.

## 14. THE GENERAL OUTLOOK

SUBJECT TO ALL THE USUAL CAVEATS -- AND THE MARGINS OF ERROR IN THIS FORECAST (ESPECIALLY FOR 1979) ARE GREATER THAN USUAL -- OUR ESTIMATE OF THE OUTCOME FOR THE MAIN ELEMENTS IN THE ECONOMY THROUGH 1979 ARE AS FOLLOWS:

(PERCENT CHANGE, ANNUAL RATE)

	78-I	78-II		
	1977	77-II	78-I	1978
GDP	0.4	3.5-4.0	4.0-4.5	2.8-3.5
CONSUMPTION(1)	-0.8	5.2	6.5	5.3
FIXED INVESTMENT	-3.8	0	8.4	1.8
MFG. INVESTMENT	7.9	6.0	8.2	8.5
INVENTORY CHANGE (2)	0.9	2.2	0.6	1.4
GOVT. EXPENDITURE	0.1	1.1	3.9	2.3
VISIBLE TRADE(3)	-1.6	-0.7	-0.7	-1.4
INVISIBLE TRADE (3)	1.8	0.6	0.8	1.5
CURRENT ACCOUNT (3)	0.2	-0.1	0.1	0.0
INDUSTRIAL PRODUCTION	1.5	2.4	6.8	3.0

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PAGE 04 LONDON 13881 04 OF 05 291737Z

UNEMPLOYMENT RATE(4) 6.0 5.7 5.8 5.8

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PAGE 01 LONDON 13881 05 OF 05 291743Z  
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LIMITED OFFICIAL USE SECTION 05 OF 05 LONDON 13881

RETAIL PRICE 15.8 7.7 9.5 9.0

- (1) THE REMAINING FIGURES IN TABLE REPRESENT  
MID POINTS OF LIKELY RANGES.  
(2) AS A PERCENT OF GDP.  
(3) BILLIONS OF POUNDS, SUMS MAY NOT BE PRECISE DUE TO  
ROUNDING.  
(4) FOR DECEMBER-JUNE.

79-I 79-II  
78-II 78-I 1979

GDP 0.8-1.5 1.0-1.8 1.5-2.5

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PAGE 02 LONDON 13881 05 OF 05 291743Z

CONSUMPTION(1) 2.6 1.1 3.2  
FIXED INVESTMENT 3.8 3.3 4.9  
MFG. INVESTMENT 5.5 2.5 6.0

INVENTORY CHANGE(2)	-0.1	-1.8	-0.5
GOVT. EXPENDITURE	2.6	2.1	2.8
VISIBLE TADE(3)	-0.7	-1.0	-1.7
INVISIBLE TRADE(3)	0.8	1.1	1.9
CURRENT ACCOUNT(3)	0.2	0.1	0.3
INDUSTRIAL PRODUCTION	4.4	-2.8	3.0
UNEMPLOYMENT RATE (4)	5.9	6.4	6.4
RETAIL PRICE	10.6	9.4	9.6

- (1) THE REMAINING FIGURES IN TABLE REPRESENT  
MID POINTS OF LIKELY RANGES.
- (2) AS A PERCENTOF GDP.
- (3) BILLIONS OF POUNDS, SUMS MAY NOT ADD DUE TO  
ROUNDING.
- (4) FOR DECEMBER-JUNE.

STREATOR

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, ECONOMIC REPORTS, FINANCIAL TRENDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978LONDON13881  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** ALSO FOR USOECD AND USMTN  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780352-0947  
**Format:** TEL  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780814/aaaaalbc.tel  
**Line Count:** 618  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** b506635a-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 12  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 LONDON 10000  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1592447  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UK ECONOMIC FORECAST FOR 1978 AND 1979  
**TAGS:** EFIN, UK  
**To:** STATE TRSY MULTIPLE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/b506635a-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014